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**OFFICE OF MANAGEMENT AND BUDGET**

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**2015 STATUTORY PAY-AS-YOU-GO ACT ANNUAL REPORT**

AGENCY: Office of Management and Budget (OMB).

ACTION: Notice.

SUMMARY: This report is being published as required by the Statutory Pay-As-You-Go (PAYGO) Act of 2010, 2 U.S.C. § 931 et seq. The Act requires that OMB issue 1) an annual report as specified in 2 U.S.C. § 934(a) and 2) a sequestration order, if necessary.

FOR FURTHER INFORMATION CONTACT: Patrick Locke. 202-395-3672.

SUPPLEMENTARY INFORMATION: This report and additional information about the PAYGO Act can be found at [http://www.whitehouse.gov/omb/paygo\\_default](http://www.whitehouse.gov/omb/paygo_default).

Authority: 2 U.S.C. § 934

Courtney Timberlake,

Assistant Director for Budget.

This Report is being published pursuant to section 5 of the Statutory Pay-As-You-Go (PAYGO) Act of 2010, Public Law 111-139, 124 Stat. 8, 2 U.S.C. § 934, which requires that OMB issue an annual PAYGO report, including a sequestration order if necessary, no later than 14 working days after the end of a congressional session.

This Report describes the budgetary effects of all PAYGO legislation enacted during the first session of the 114<sup>th</sup> Congress, including legislative provisions designated as emergency requirements under section 4(g) of the PAYGO Act, and presents the 5-year and 10-year PAYGO scorecards maintained by OMB. Because neither the 5-year nor 10-year scorecard shows a debit for the budget year, which for purposes of this Report is fiscal year 2016,<sup>1</sup> a sequestration order under subsection 5(b) of the PAYGO Act, 2 U.S.C § 934(b), is not necessary.

During the first session of the 114<sup>th</sup> Congress, one law was enacted with emergency requirements under section 4(g) of the PAYGO Act, 2 U.S.C. 933(g) and one law was enacted that authorized a new purpose for prior emergency funding. The scorecards include no current policy adjustments made under section 4(c) of the PAYGO Act, 2 U.S.C. § 933(c). The authority for current policy adjustments expired as of December 31, 2011, so the Report does not contain any information about or descriptions of any current policy adjustments.

## **I. PAYGO Legislation with Budgetary Effects**

PAYGO legislation is authorizing legislation that affects direct spending or revenues, and appropriations legislation that affects direct spending in the years beyond

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<sup>1</sup> References to years on the PAYGO scorecards are to fiscal years.

the budget year or affects revenues in any year.<sup>2</sup> For a more complete description of the Statutory PAYGO Act, see the OMB website, [http://www.whitehouse.gov/omb/paygo\\_description](http://www.whitehouse.gov/omb/paygo_description), and Chapter 9, "Budget Concepts," of the *Analytical Perspectives* volume of the 2016 Budget, [https://www.whitehouse.gov/sites/default/files/omb/budget/fy2016/assets/ap\\_9\\_concepts.pdf](https://www.whitehouse.gov/sites/default/files/omb/budget/fy2016/assets/ap_9_concepts.pdf).

The 5-year and 10-year PAYGO scorecards for each congressional session begin with the balances of costs or savings carried over from previous sessions and then tally the costs or savings of PAYGO laws enacted in that session. The 5-year PAYGO scorecard for the first session of the 114<sup>th</sup> Congress began with balances of costs of \$440 million in 2016, and balances of savings of \$1,440 million in 2017, \$601 million in 2018, and \$626 million in 2019. The completed 5-year scorecard for the session shows that PAYGO legislation enacted during the session was estimated to have PAYGO budgetary effects that reduced the deficit by an average of \$3,456 million each year from 2016 through 2020.<sup>3</sup> These new savings on the scorecard eliminated the debit in 2016, increased the balances of savings in 2017 through 2019, and created new savings in 2020.

The 10-year PAYGO scorecard for the first session of the 114<sup>th</sup> Congress began

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<sup>2</sup> Provisions in appropriations acts that affect direct spending in the years beyond the budget year (also known as "outyears") or affect revenues in any year are considered to be budgetary effects for the purposes of the PAYGO scorecards except if the provisions produce outlay changes that net to zero over the current year, budget year, and the four subsequent years. As specified in section 3 of the PAYGO Act, off-budget effects are not counted as budgetary effects. Off-budget effects refer to effects on the Social Security trust funds (Old-Age and Survivors Insurance and Disability Insurance) and the Postal Service.

<sup>3</sup> As provided in section 4(d) of the PAYGO Act, 2 U.S.C. § 933(d), budgetary effects on the PAYGO scorecards are based on congressional estimates for bills including a reference to a congressional estimate in the Congressional Record, and for which such a reference is indeed present in the Record. Absent such a congressional cost estimate, OMB is required to use its own estimate for the scorecard. None of the bills enacted during the first session of the 114<sup>th</sup> Congress had such a congressional estimate and therefore OMB was required to provide an estimate for all PAYGO laws enacted during the session.

with balances of savings of \$9,730 million in each year from 2016 to 2020, \$3,359 million in 2021, \$2,649 million in 2022, \$1,514 million in 2023, and \$1,521 million in 2024. The completed 10-year scorecard for the session shows that PAYGO legislation for the session reduced the deficit by an average of \$5,718 million each year from 2016 through 2025. These new savings increased the balances of savings in each year on the 10-year scorecard from 2016 through 2024, and created new savings in 2025.

In the first session of the 114<sup>th</sup> Congress, 35 laws were enacted that were determined to constitute PAYGO legislation. Of the 35 enacted PAYGO laws, 15 laws were estimated to have PAYGO budgetary effects (costs or savings) in excess of \$500,000 over one or both of the 5-year or 10-year PAYGO windows. These were:

- Terrorism Risk Insurance Program Reauthorization Act of 2015, Public Law 114-1;
- Construction Authorization and Choice Improvement Act, Public Law 114-19;
- Justice for Victims of Trafficking Act of 2015, Public Law 114-22;
- A bill to extend the authorization to carry out the replacement of the existing medical center of the Department of Veterans Affairs in Denver, Colorado, to authorize transfers of amounts to carry out the replacement of such medical center, and for other purposes, Public Law 114-25;
- Trade Preferences Extension Act of 2015, Public Law 114-27;
- Steve Gleason Act of 2015, Public Law 114-40;
- Surface Transportation and Veterans Health Care Choice Improvement Act of

2015, Public Law 114-41;

- Department of Veterans Affairs Expiring Authorities Act of 2015, Public Law 114-58;
- Protecting Affordable Coverage for Employees Act, Public Law 114-60;
- Adoptive Family Relief Act, Public Law 114-70;
- Bipartisan Budget Act of 2015, Public Law 114-74;
- National Defense Authorization Act for Fiscal Year 2016, Public Law 114-92;
- Federal Perkins Loan Program Extension Act of 2015, Public Law 114-105;
- Consolidated Appropriations Act of 2016, Public Law 114-113; and
- Patient Access and Medicare Protection Act, Public Law 114-115.

In addition to the laws identified above, 20 laws enacted in this session were estimated to have negligible budgetary effects on the PAYGO scorecards—costs or savings of less than \$500,000 over both the 5-year and 10-year PAYGO windows.

## **II. Budgetary Effects Excluded from the Scorecard Balances**

### **A. Legislation Designated as Emergency Requirements**

As shown on the scorecards, one law was enacted in the first session of the 114<sup>th</sup> Congress with an emergency designation under the Statutory PAYGO Act: the Surface Transportation and Veterans Health Care Choice Improvement Act of 2015, Public Law 114-41. The effects of the provisions in this law that are designated as emergency requirements appear on the scorecard, but the effects are subtracted before computing the scorecard totals.

### **B. Repurposing of Prior Emergency Spending**

Scorekeeping guidelines adopted by the Office of Management and Budget, the Congressional Budget Office, and the congressional budget committees preclude scoring savings for the subsequent repurposing of spending that was designated as emergency spending when enacted. Although the laws repurposing the emergency spending are reported on the PAYGO scorecards maintained by OMB, the associated savings are not included in the balances on the scorecards that are used to determine the need for a sequestration. In this congressional session, the Construction Authorization and Choice Improvement Act, Public Law 114-19, repurposed spending in the VA Choice program by expanding the eligibility for the program to additional veterans. This adjustment resulted in excluding \$47 million in savings over 2015-2020 from the scorecard totals.

### **C. Statutory Provisions Excluding Legislation from the Scorecards**

Four laws enacted in the first session of the 114<sup>th</sup> Congress had estimated budgetary effects on direct spending and revenues that are not included in the calculations for the PAYGO scorecards due to provisions in law excluding all or part of the law from section 4(d) of the Statutory Pay-As-You-Go Act of 2010. Three laws included provisions excluding their budgetary effects from the PAYGO scorecards entirely: Public Law 114-10, the Medicare Access and CHIP Reauthorization Act of 2015; Public Law 114-26, the Defending Public Safety Employees' Retirement Act; and Public Law 114-94, the FAST Act. In addition, one law included a provision excluding certain portions of the law from the scorecards: Public Law 114-113, Consolidated Appropriations Act of 2016, for which Divisions M, N, O, P, and Q were excluded from the scorecards.

### **III. The Bipartisan Budget Act of 2015**

The Bipartisan Budget Act of 2015 (BBA 2015), Public Law 114-74, increased the limits on discretionary spending for 2016 and 2017, reduced direct spending and increased revenues in a number of programs, extended to 2025 the sequestration of direct spending under the Joint Committee enforcement procedures of the Budget Control Act of 2011, and temporarily suspended the statutory limit on Federal debt. The PAYGO effects shown on the scorecard for BBA 2015 are limited to those effects stemming from changes in the authorizations for direct spending programs and revenues. The revised limits on discretionary appropriations and the extension of Joint Committee sequestration of direct spending are not included in the effects on the scorecard. Because the revisions to the discretionary spending limits apply only to future levels of discretionary appropriations and did not change the level of appropriations at the point that BBA 2015 was enacted, OMB determined that these provisions of BBA 2015 do not have budgetary effects under the PAYGO Act. Similarly, because future sequestration of direct spending is triggered one year at a time under the Joint Committee enforcement procedures, providing an opportunity for future congressional action to avoid these enforcement measures, OMB does not include future direct spending sequestration in the baseline it uses to estimate budgetary effects under the PAYGO Act and extension of direct spending sequestration therefore does not have a budgetary effect for purposes of OMB's PAYGO estimates.

#### IV. PAYGO Scorecards

STATUTORY PAY-AS-YOU-GO SCORECARDS										
(in millions of dollars, negative amounts portray decreases in deficits)										
	2016	2017	2018	2019	2020					
Balances from Previous Sessions	440	-1,440	-601	-626	0					
Budgetary effects for First session of the 114 <sup>th</sup> Congress	-3,456	-3,456	-3,456	-3,456	-3,456					
Total, 5-year PAYGO Scorecard	-3,016	-4,896	-4,057	-4,082	-3,456					
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Balances from Previous Sessions	-9,730	-9,730	-9,730	-9,730	-9,730	-3,359	-2,649	-1,514	-1,521	0
Budgetary Effects for First session of the 114 <sup>th</sup> Congress	-5,718	-5,718	-5,718	-5,718	-5,718	-5,718	-5,718	-5,718	-5,718	-5,718
Total, 10-year PAYGO Scorecard	-15,448	-15,448	-15,448	-15,448	-15,448	-9,077	-8,367	-7,232	-7,239	-5,718



The total net budgetary effects of all PAYGO legislation enacted during the first session of the 114<sup>th</sup> Congress on the 5-year scorecard reduce the deficit by \$17,280 million. This total is averaged over the years 2016 to 2020 on the 5-year PAYGO scorecard, resulting in savings of \$3,456 million in each year. Combining these savings with balances carried over from prior sessions of the Congress creates total net savings in 2016 of \$3,016 million, \$4,896 million in 2017, \$4,057 million in 2018, and \$4,082 million in 2019. The 5-year PAYGO window extended only through 2019 in the second session of the 113<sup>th</sup> Congress, so there were no 5-year scorecard balances in 2020 to carry over and the 5-year scorecard total is the average \$3,456 million savings from this session.

The total 10-year net impact of legislation enacted during the first session of the 114<sup>th</sup> Congress was savings of \$57,183 million. The 10-year PAYGO scorecard shows the total net impact averaged over the 10-year period, resulting in savings of \$5,718 million in each year. Combining these savings with balances from prior sessions results in net savings of \$15,448 million in 2016 through 2020, \$9,077 million in 2021, \$8,367 million in 2022, \$7,232 million in 2023, and \$7,239 million in 2024. The 10-year PAYGO window extended only through 2024 in the second session of the 113<sup>th</sup> Congress, so there were no 10-year scorecard balances in 2025 to carry over and the 10-year scorecard total is the average \$5,718 million savings from this session.

## **V. Sequestration Order**

As shown on the scorecards, the budgetary effects of PAYGO legislation enacted in the first session of the 114<sup>th</sup> Congress, combined with the balances left on the

scorecard from previous sessions of the Congress, resulted in net savings on both the 5-year and the 10-year scorecard in the budget year, which is 2016 for the purposes of this Report. Because the costs for the budget year, as shown on the scorecards, do not exceed savings for the budget year, there is no “debit” on either scorecard under section 3 of the PAYGO Act, 2 U.S.C. § 932, and there is no need for a sequestration order.

The savings shown on the scorecards for 2016 will be removed from the scorecards that are used to record the budgetary effects of PAYGO legislation enacted in the second session of the 114<sup>th</sup> Congress. The totals shown in 2017 through 2025 will remain on the scorecards and will be used in determining whether a sequestration order will be necessary in the future. All of the years of the 5-year and 10-year scorecards that will carry over into the second session of the 114<sup>th</sup> Congress will show balances of savings.

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